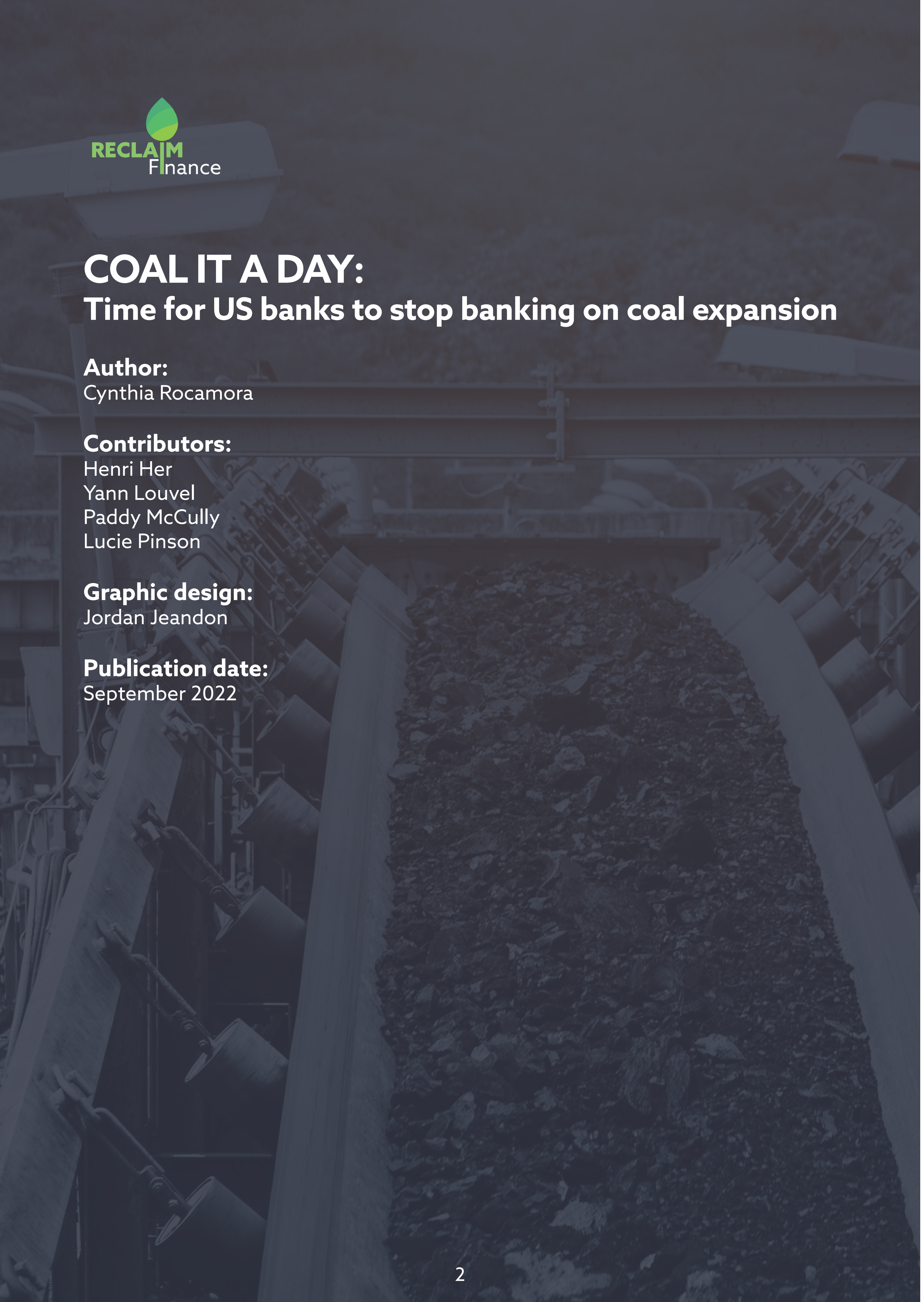
COAL IT A DAY:

Time for US banks to stop banking on coal expansion

RECLAIM Finance



COAL IT A DAY:
Time for US banks to stop banking on coal expansion

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KEY FINDINGS

- As we come out of a deadly global warming-fueled northern hemisphere summer, **US banks keep on financing the expansion of coal**, with no plans in sight to exit from the sector.
- **Since 2019, and until November 2021, US banks have provided US$207 billion to the coal industry, with US$40 billion to coal developers from JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley, and Goldman Sachs alone.**
- While banks globally are taking measures to progressively exit the coal sector and to stop supporting new coal, **US banks are the second biggest providers of loans and underwriting services to the coal industry after Chinese banks**.
- 42 financial institutions have already put an end to the financing of developers of new coal projects. US banks are lagging far behind with **weak coal policies that let funds flow to coal expansion.**
- For now, US banks' net-zero commitments have had little to no impact to stop them from financing new coal projects: **since joining the Glasgow Financial Alliance for Net Zero (GFANZ) in 2021, they have continued to finance some of the world's biggest coal developers.** For instance, right after joining the Net Zero Banking Alliance (NZBA), Citi, a founding signatory, provided two loans of US$503 million each to Japanese coal power giant Mitsubishi, which is currently developing the controversial Vung Ang II 1200 MW coal plant in Vietnam.
- The urgency to stop developing new coal projects has recently been emphasized by the **new Race to Zero criteria**, which ask its members to **stop financing new coal projects**. GFANZ members have **until June 2023 to comply or risk being excluded.**
- If they are serious with their climate pledges, **US banks must immediately adopt a robust coal policies, with an immediate end to all support to coal expansion and a commitment to phase out thermal coal.**

INTRODUCTION

Climate science is crystal clear on the need to limit global warming to 1.5°C, and how to reach this objective: **we must put an end to fossil fuel expansion**. In its 2021 roadmap for net zero, the International Energy Agency (IEA) confirmed that there can be no more new oil, gas, and coal projects developed beyond projects already committed as of 2021.[1] Calls for ending fossil fuel expansion have been widely echoed by scientists, analysts and prominent leaders worldwide, including UN Secretary-General Antonio Guterres.

An essential step to stop fossil fuel expansion is to shut down the financial pipeline that keeps it alive. While many financial institutions are taking action to reduce financing to the fossil fuel sector, **major US banks continue to pour funds into the fossil fuel industry with barely any restrictions**. They thus continue to enable the development of new projects. Indeed, according to the 2022 Banking on Climate Chaos report,[2] which assesses the financing of the fossil fuel industry by the world's 60 largest banks, **US banks are the biggest financiers of fossil fuels,** right in front of Chinese, Canadian, Japanese, British, French, and Swiss banks. **Between 2016 and 2021, the seven largest US banks[3] collectively provided over one trillion US dollars to the fossil fuel industry.** This represents almost a third of all financing allocated to the fossil fuel industry by the 60 biggest banks worldwide. The picture is equally bleak when it comes to stopping fossil fuel expansion. US banks have collectively supplied **over US$400 billion to the 100 key oil, gas, and coal companies expanding fossil fuels between 2016 and 2021, including over US$64 billion in 2021 alone.**

This briefing analyzes the biggest US banks that are the most exposed to coal - JPMorgan Chase, Wells Fargo, Bank of America, Citigroup, and US Bancorp - and two additional banks which fund coal companies worldwide - Goldman Sachs and Morgan Stanley. It outlines the amounts of financing from these banks to coal developers, assesses the gaps in their policies, and provides recommendations for immediate implementation.

As outlined by climate scientists, "**phasing out coal from the electricity sector is the single most important step to get in line with 1.5°C**"[4]. Yet, over 500 companies are currently planning new coal projects worldwide, thanks to the support of their financiers. As has been repeatedly emphasized by UN Secretary General Antonio Guterres, "**The addiction to fossil fuels must end, starting with coal,** by 2030 in Organisation for Economic Cooperation and Development (OECD) countries, and 2040 everywhere else".[5]

All of the banks analyzed except US Bancorp are members of the Net-Zero Banking Alliance (NZBA), one of the sectoral alliances in the Glasgow Financial Alliance for Net Zero (GFANZ). Like other GFANZ members, all those in the NZBA are required to comply with the criteria of the UN's Race to Zero campaign. These were updated in June 2022 and now state that "Race to Zero members must restrict the development, financing, and facilitation of new fossil fuel assets in line with appropriate scenarios. Across all scenarios, this includes no new coal projects."[6] Banks and other GFANZ members have until June 2023 to comply with these criteria.

The credibility of US banks' climate pledges is contingent on whether or not they will translate their net-zero commitments into concrete action by ending all financing to coal developers.

> ***"The single most effective step we can take to limit temperature rise is phasing out coal. We have come a long way in the past year, but we still have much to do. I call on private finance, from commercial banks to asset managers, to stop financing coal power.[7]"***
>
> *Antonio Guterres, Secretary-General of the United Nations*

Data Sources

GCEL[8]
This briefing relies on data from the Global Coal Exit List (GCEL) 2021 published by Urgewald. The GCEL features 1030 companies that play a significant role in the thermal coal value chain, representing in total 90% of the world's thermal coal mining and the world's coal-fired capacity.

Research identifying financial flows to companies listed on the GCEL[9] up to November 2021
The latest research on the financial institutions behind the companies listed on the GCEL was done by Profundo B.V.[10] It identifies financial flows to companies on the GCEL between January 2019 and November 2021. Data on the financial institutions behind GCEL companies is available from 2016.

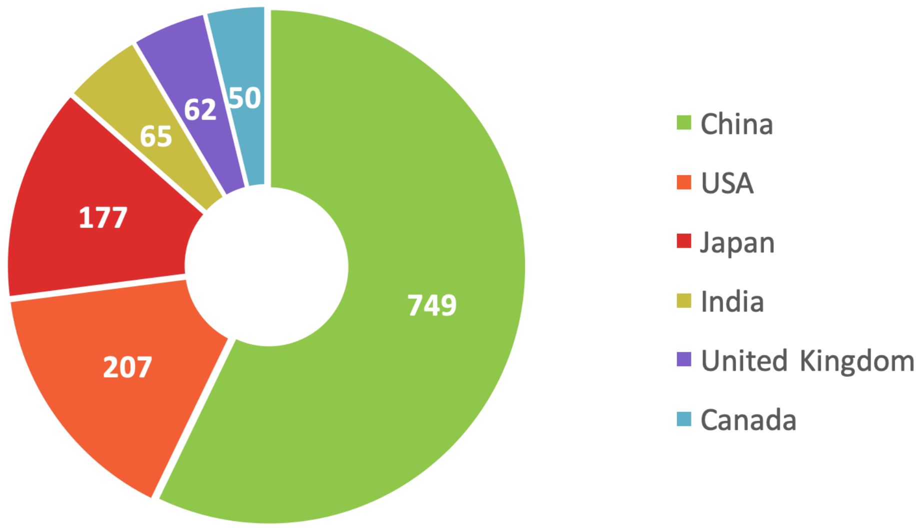
Research identifying financial flows to companies on the GCEL up to August 2022 - Profundo B.V.
Profundo B.V. conducted additional research on financial flows to companies listed on the GCEL up to August 2022.

Unless specify differently, unreferenced coal financial figures through this briefing relates to financing – either through loans or underwriting – from commercial banks to companies with coal activities, green bonds excluded, according to Reclaim Finance's analysis of Profundo's financial research of GCEL companies up to November 2021. Only exceptions are the transactions exposed in fifth part, taken from Profundo additional financial research.

1. BANKING ON COAL

The Global Coal Exit List (GCEL)[11] features 1030 companies whose activities cover the whole thermal coal value chain - mining, infrastructure, and power. Companies on the GCEL represent 90% of the world's thermal coal production and the world's coal-fired capacity. The latest financial research on the banks behind the companies listed on the GCEL shows that between January 2019 and November 2021, commercial banks channeled over US$1.5 trillion to the coal industry. **With US$207 billion, US banks are the biggest providers of loans and underwriting services to coal companies after Chinese banks.**

Loans and underwriting in US$ billion to GCEL companies since 2019 (Share of total finance: 86%)



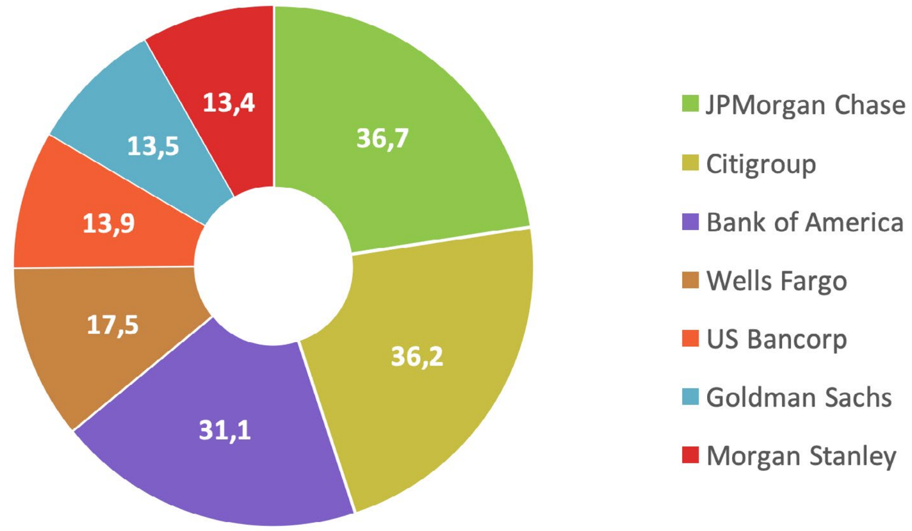
Source: Research identifying financial flows to companies listed on the GCEL

Just a handful of financial institutions provide the bulk of total funding for the coal industry. For instance, from January 2019 to November 2021, out of the US$363 billion of loans that were granted to GCEL companies by 376 commercial banks, 48% of total lending was provided by only 12 banks from 5 countries.[12] Out of these 12 banks, five are from the US: Citigroup, JPMorgan Chase, Bank of America, Wells Fargo, and US Bancorp. Adding underwriting, **banks from only six countries are responsible for 86% of bank financing for GCEL companies.**

The main seven US banks provided US$162 billion in lending and underwriting to companies in the GCEL between January 2019 and November 2021. With a total of US$36.75 billion, **JPMorgan Chase features among both the top 12 lenders and the top 12 underwriters to GCEL companies.**

In spite of the global consensus that there can be no new coal in order to limit global warming to 1.5°C, banks continue to provide funding to companies that are developing new coal projects. While US Bancorp and Wells Fargo only fund North American-based coal companies, the five other banks are funding coal expansionists worldwide. **Since 2019, JPMorgan Chase, Citigroup, Bank of America, Morgan Stanley, and Goldman Sachs have collectively provided US$40 billion to coal developers. Among these, Citigroup, Bank of America, and JPMorgan Chase are among the world's top 50 banks that keep on fueling coal developers,** with respectively over US$16 billion, US$11 billion, and US$9 billion of financing for coal developers between 2019 and 2021.

US Banks Financing to coal - January 2019 to November 2021 - US $billion



Source: Financial research identifying the banks behind the companies listed on the GCEL

2. SEVEN YEARS OF DENIAL

Seven years have passed since the Paris Agreement. Since then, climate scientists have repeatedly produced research stressing the need to stop coal expansion. Many institutions and leaders have called for the end of new coal projects – including the UNFCCC, UNEP, the UN Secretary General, the International Energy Agency, GFANZ co-chairs Michael Bloomberg and Mark Carney, and COP26 President Alok Sharma. Yet major US banks have continued to pour funds into companies with coal expansion plans. According to research identifying financial flows to companies listed on the GCEL, the main US banks are providing financial services to coal developers which have expansion plans in Australia, China, India, Indonesia, Japan, Mozambique, the Philippines, Poland, Russia, South Africa, South Korea, the United Arab Emirates, the USA, Vietnam...

2015

- **12 December: adoption of the Paris Agreement at COP21.**
- Christiana Figueres, then head of the UN Framework Convention on Climate Change (UNFCCC), warned: **"There is no space for new coal"**[13].
- OECD Secretary-General Angel Gurria called new coal-fired power plants "the most urgent threat to our climate"[14].

2016

- November: Climate Analytics publishes its report Implications of the Paris Agreement for coal use in the power sector[15], calling for a global coal phase out by mid-century.

Financial support to coal developers worldwide by US banks:

- Citigroup: US$3.3 billion
- JPMorgan Chase: US$1.1 billion
- Bank of America: US$1.0 billion
- Goldman Sachs: US$0.6 billion
- Morgan Stanley: US$3 billion

2018

- October: IPCC Special Report "Global Warming of 1.5°C"[17] calls for "a steep reduction" of coal use.
- October: Antonio Guterres declares "Only courageous leadership will make the goals of Paris a reality... It means **closing coal plants and replacing those jobs with healthier, better alternatives** so that the transformation is just, inclusive and profitable."[18]

Financial support to coal developers worldwide by US banks:

- Citigroup: US$5.3 billion
- JPMorgan Chase: US$2.4 billion
- Bank of America: US$1.7 billion
- Goldman Sachs: US$0.4 billion
- Morgan Stanley: US$0.2 billion

2017

- November: Launch of the Powering Past Coal Alliance at COP23.
- December: The 1st advanced coal policy worldwide is adopted by a European financial institution: the French insurer Axa, for its own investments.[16]

Financial support to coal developers worldwide by US banks:

- Citigroup: US$6.9 billion
- JPMorgan Chase: US$3.7 billion
- Bank of America: US$1.9 billion
- Goldman Sachs: US$0.8 billion
- Morgan Stanley: US$1.9 billion

2019

- May: Antonio Guterres declares "We need to [...] **stop building new coal plants that poison the air we breathe**."[19]
- June: French bank Crédit Agricole becomes the first global bank to address coal developers.
- September: Climate Analytics updates its 2016 report, highlighting that "canceling new coal is nowhere near enough to meet [the] 1.5°C limit", and calling for a coal phase out by 2030 in OECD countries and 2040 elsewhere.[20]
- November: UNEP launches its annual Production Gap Report[21], which assesses the discrepancy between countries' planned fossil fuel production and global production levels consistent with limiting warming to 1.5°C or 2°C. It reveals that the production gap is largest for coal as countries plan to produce 150% (5.2 billion tonnes) more coal than would be consistent with a 2°C pathway, and 280% (6.4 billion tonnes) more than would be consistent with a 1.5°C pathway.

Financial support to coal developers by US banks worldwide:

- Citigroup: US$5.8 billion
- JPMorgan Chase: US$2.4 billion
- Bank of America: US$2.9 billion
- Goldman Sachs: US$0.2 billion
- Morgan Stanley: US$1.4 billion

2020

- UNEP's 2020 Production Gap report[22] shows that **global coal production needs to drop by 11% between 2020 and 2030 in order to be consistent with a 1.5°C pathway.**

Financial support to coal developers worldwide by US banks:

- Citigroup: US$6.1 billion
- JPMorgan Chase: US$3.3 billion
- Bank of America: US$5.2 billion
- Goldman Sachs: US$0.2 billion
- Morgan Stanley: US$0.2 billion

2021

- March: Antonio Guterres declares "Today, I call on all governments, private companies & local authorities to take 3 steps:
  Cancel all global coal projects in the pipeline.
  End coal plant financing & shift investment to renewable energy projects.
  Jump-start a global effort to a just transition."[23]
- **21 April: launch of the Glasgow Financial Alliance for Net Zero (GFANZ)** Founding members include Citigroup and Bank of America.
- October: Antonio Guterres reacts to the 2021 edition of UNEP's Production Gap report[24] by stating that "**It is urgent that all remaining public financiers as well as private finance, including commercial banks and asset managers, switch their funding from coal to renewables to promote full decarbonization of the power sector and access to renewable energy for all.**"[25]
- October: **JPMorgan Chase, Morgan Stanley, and Goldman Sachs join GFANZ.**
- October: The IEA publishes the World Energy Outlook 2021, highlighting that "**All scenarios that meet climate goals feature a rapid decline in coal use.**"[26]
- November, COP26:
  - COP26 President Alok Sharma declares "From the start of the UK's Presidency, we have been clear that **COP26 must be the COP that consigns coal to history**."[27]
  - The Glasgow Climate Pact[28] calls for "accelerating efforts towards the phasedown of unabated coal power"
- November: Michael R. Bloomberg, the UN Secretary-General's Special Envoy for Climate Ambition and Solutions and GFANZ co-chair declares "**Coal is enemy number one in the battle over climate change,**"[29] pledging new efforts to close remaining coal plants and cancel all proposed coal plants globally by 2025.

Financial support to coal developers worldwide by US banks until November 2021:

- Citigroup: US$3.8 billion
- JPMorgan Chase: US$3.4 billion
- Bank of America: US$2.4 billion
- Goldman Sachs: US$1.3 billion
- Morgan Stanley: US$1.0 billion

> ***We want to be unequivocal on this point: there is no rationale for financing new coal projects.***
>
> *GFANZ leadership - Michael R. Bloomberg, Mark Carney, and Mary Schapiro - August 2022*

2022

- March: Antonio Guterres declares "**Those in the private sector still financing coal must be held to account.** Their support for coal not only could cost the world its climate goals. It's a stupid investment – leading to billions in stranded assets. "
- June: **The UN Race to Zero initiative updates and strengthens its criteria**, asking members to "**restrict the development, financing, and facilitation of new fossil assets", stressing that "this includes no new coal projects**".[30]
- June: The IEA publishes the World Energy investment 2022 report, pointing out that "Around 30 GW of new coal-fired plants were approved in 2021, hardly a positive signal for a "phase-down" of unabated coal power"

3. FINANCING THE WORST OFFENDERS

GLENCORE

Swiss coal mining company Glencore produces **94 million metric tonnes of coal per year**. It is currently **the world's 9th biggest coal mine developer and 11th biggest coal producer.** With **nine coal mining expansion** projects in Australia and South Africa, Glencore plans to increase its annual coal production capacity by 45 million tonnes. While global coal phase out needs to take place by 2040, the company claims to be on a transition path, but plans to continue mining thermal coal until after 2050.

- Issues:
  - Research has found that methane emissions from Glencore's coal mines in Australia were understated by at least 24%
  - "Methane emissions from the Hail Creek coal mine in Queensland were at least 13 times greater than what Glencore disclosed in its 2019 emissions inventory. Methane emissions from the Oaky North coal mine were at least double what was included in its 2019 emissions inventory."[31]
  - Glencore's expansion plans constitute major threats to local wildlife, biodiversity, and communities.[32]
  - While Glencore's emissions are likely to increase by 17% in 2022[33], the company's advertising claims it is laying "the foundations for a low carbon future".[34]
  - Meanwhile, the company is entangled in corruption scandals, pleading guilty to seven counts of bribery related to its oil operations in several African countries.[35]
- **From January 2019 to November 2021 Glencore received:**
  - **US$1105 million from Citigroup**
  - **US$1105 million from Bank of America**
  - **US$1145 million from JPMorgan Chase**
  - **US$927 million from Morgan Stanley**

adani

Indian company Adani currently has **12910 MW of installed coal power capacity,** and produces 1 million metric tonnes of coal per year. It currently has **five coal power expansion projects**, amounting to **8 GW of annual coal power capacity, three coal mining expansion projects**, amounting to **67 million tonnes of annual capacity**, and **two coal infrastructure projects**, in India and Australia. It is currently **the world's 10th biggest coal plant developer and the 6th biggest coal mine developer.**

- Issues:
  - Adani's expansion plans are denounced by campaigns such as Adani Watch[36] and Stop Adani[37] for their impact on the environment and on local communities. Indeed, the company's expansion plans are **destroying the land of indigenous communities in India[38]** and their protests have been severely repressed[39].
  - Adani's unethical practices also include **pollution disasters**, and working with a military dictatorship in Myanmar.[40]
  - The Carmichael coal mine in Australia has drawn criticism for its impact on the Great Barrier Reef, for violating indigenous rights, and destroying the ancestral lands and waters of indigenous people without their consent.[41] Adani has struggled to find the financial resources to build this controversial project as **over 40 major banks have ruled out funding**, leading it to self-fund the construction of the mine.[42] JPMorgan Chase is one of the biggest funders of the Adani Group.
  - In May 2022, an Adani company that plans to expand a coal plant in Southern India received a US$6 million fine for pollution that led to respiratory diseases among local people and impacts on their livelihoods due to loss of agricultural productivity.[43]
- **From January 2019 to November 2021 Adani received:**
  - **US$533 million from Citigroup**
  - **US$709 million from Bank of America**
  - **US$533 million from JPMorgan Chase**

MITSUBISHI

Japanese company Mitsubishi Corp currently has **584 MW of installed coal power capacity**. It currently has **two coal power expansion projects**, amounting to **697 MW annual coal power capacity**, in Japan and Vietnam, where it is developing the controversial Vung Ang II coal power plant. The company only plans to exit all coal-fired power generation by 2050, 20 years later than the 2030 deadline for OECD to phase out coal.

- Issues:
  - The company owns shares in Vung Ang II Power Company (VAPCO) which is developing the **Vung Ang II 1200 MW coal power plant in Vietnam[44]**. It is an **extremely controversial project** which has been opposed by many stakeholders, including civil society and investors worldwide.[45] Emissions from this plant would be several to ten or more times higher than best practices in Japan, likely leading to cancer, respiratory diseases, and early deaths, in an area in which several power plants are already located or planned.[46]
  - Those raising their voice to oppose coal expansion in Vietnam face severe retaliation. **Four of Vietnam's most prominent environmental leaders are currently in jail for criticizing the country's coal power expansion**. This includes Goldman Environmental prize winner Nguy Thi Khanh,[47] who has been sentenced to 2 years in prison on tax evasion charges, although there is little doubt that her anti-coal advocacy is the real reason for her imprisonment.[48] She founded the Sustainable Energy Alliance, of which three other members are currently jailed and could be facing long prison sentences under tax evasion charges.
- **From January 2019 to November 2021 Mitsubishi Corp received:**
  - **US$3133 million from Citigroup**
  - **US$425 million from JPMorgan Chase**
  - **US$100 million from Morgan Stanley**
  - **US$97 million from Goldman Sachs**

4. WEAK POLICIES ALLOW FINANCING OF NEW COAL PROJECTS

Reclaim Finance has developed the Coal Policy Tool (CPT)[49] to assess the coal policies of financial institutions. While 300 financial institutions have adopted policies restricting financial services to the coal sector, some of them are merely window dressing as they have little or no impact on the thermal coal industry. This is the case of US banks' policies, which are lagging far behind the best practices adopted by many European banks.

There are two main ways in which coal companies can finance their projects: either by raising funds for a specific project, or through the general financing of the company. While US banks have all put an end to project financing for new coal projects, this is of limited significance as **the coal industry is mostly financed through general purpose corporate finance**. US banks are therefore financing coal companies that are planning to develop new coal power plants, mines, and infrastructure through general corporate funding.

While **42 financial institutions worldwide have ended financial services to companies planning to build new coal assets, US banks[50] have adopted policies that still allow new financing to companies developing new coal projects.**

- **JPMorgan**'s policy, which excludes mining companies that derive over 50% of their revenues from coal, would allow it to still finance at least 253 major coal plant developers which are planning to develop **at least 319 GW of new coal-power capacity** and to finance 118 coal mine developers which are planning to expand their coal mining capacity by **at least 1519 million tonnes per year**. This is equivalent to more than twice the current coal-fired power capacity of Europe,[51] and more than the annual coal production of Australia, Indonesia, and Russia combined[52].
- Three banks have no immediate strict exclusion criteria and can therefore continue to finance all the 1030 GCEL companies. **Bank of America, Goldman Sachs** (depending on their interpretation of their policy), and **Morgan Stanley**, can still finance 301 major coal plant developers which are planning to develop **at least 458 GW of new coal power capacity** and to at least 180 coal mining companies which are planning to expand their coal mining capacity by **at least 2434 million tonnes per year**. This is equivalent to more than the current coal-fired power capacity of India and the US combined[53], and over a third of annual coal production worldwide[54].
- Since Citi only excludes financing for new clients, the amount of new coal power and coal mining capacity it can still finance cannot be inferred in the same manner as the other banks. According to data on Citi's transactions starting from 2016, **Citi** can continue to finance at least 100 coal companies which are already among its existing clients, among which 44 are developing at least **96 GW of new coal power capacity and 302 million tonnes per year of coal mining capacity**. This is equivalent to more than the current coal-fired power capacity of Japan and South Korea combined[55], and more than the annual coal production capacity of Africa and the Middle East.[56]

Wells Fargo and US Bancorp do not finance coal developers and their activities are centered on North America, they are therefore not taken into consideration in this analysis.

What makes US banks' policies so weak?

1. Project focused

US banks' policies restrict direct financing for new thermal coal mines and power plants. While this is a step in the right direction, it has little to no impact on the coal industry, since funds continue to reach new coal projects via corporate finance. Indeed, looking at the way funds reach the coal industry, research shows that for coal plant developers, **corporate funding far outweighs direct project funding**, which only amounts to about 5% of financing[57].

While US bank coal policies do not completely omit restrictions on general corporate financing, what exists in the policies is extremely weak.

Banks must immediately cease all financial services at the corporate level to companies that are developing or planning to expand their activities in the coal sector.

2. Too narrow a scope on general corporate financing

While banks' policies do contain restrictions at the corporate level, they are unfortunately highly insufficient:

- They fail to **address the whole value chain** as they only cover one dimension of the coal industry. For instance, JPMorgan Chase, Bank of America,[58] Morgan Stanley,[59] and Goldman Sachs[60] all target only coal mining companies in terms of concrete exclusions or phase-out measures, and none of them include infrastructure projects in their scope.
- The **relative exclusion thresholds for companies with high exposure to coal are insufficient**. These thresholds are calculated based on the share of coal activities in a company's revenues. To achieve climate objectives, **banks**

US banks fail the litmus test when it comes to coal developers

While one of the primary objectives of a coal policy should be to shut down the streams of money that flow to new coal projects, directly or indirectly, **US banks' current exclusion criteria mostly fail to make any mention of companies that develop new coal projects**. The only US bank which makes a reference to developers of new coal projects in its policy is Citi, but it only does so for new clients, thus rendering its policy highly insufficient.

On the other hand, **several major European banks have adopted rather advanced criteria to prevent funding from reaching new coal projects through general corporate finance**. This is the case of French banks BNP Paribas, Crédit Agricole, and Italian Bank UniCredit. While further improvements are still needed, these banks have taken a significant step in the right direction.

should exclude companies that derive over 20% of their revenues from coal, with an ambition to decrease this threshold over time. While initially most financial institutions adopted an exclusion threshold around 50%, those endeavoring to adopt best practices have steadily lowered this threshold and must continue to do so. JPMorgan Chase, however, is still lagging far behind best practices as its threshold is still set at 50% for mining companies — and it lacks any threshold for power companies. In any case, exclusion thresholds based on the relative share of coal in a company's activity **fail to take into consideration coal companies' real impact on climate and health, or their ability to achieve Paris Agreement goals**. Indeed, some companies that are significant coal producers do not reach the relative exclusion thresholds. This is the case of Glencore, which produces 94 million tonnes of coal annually but has a coal share of revenue of less than 7%; and for BHP Billiton Group, which produces 23 million tonnes of coal annually despite a coal share of revenue of only 2%. For this reason, **only setting an exclusion threshold based on relative share of revenue is insufficient and must be completed by the adoption of absolute thresholds**.

- Furthermore, **some banks have adopted exclusion thresholds that only apply starting from a certain date.** This is for instance the case of Citi, which excludes companies deriving at least 25% of their revenues from thermal coal mining, but only from 2026. Only applying this threshold from 2026 is highly problematic and will not be enough to ensure a timely coal phase out.

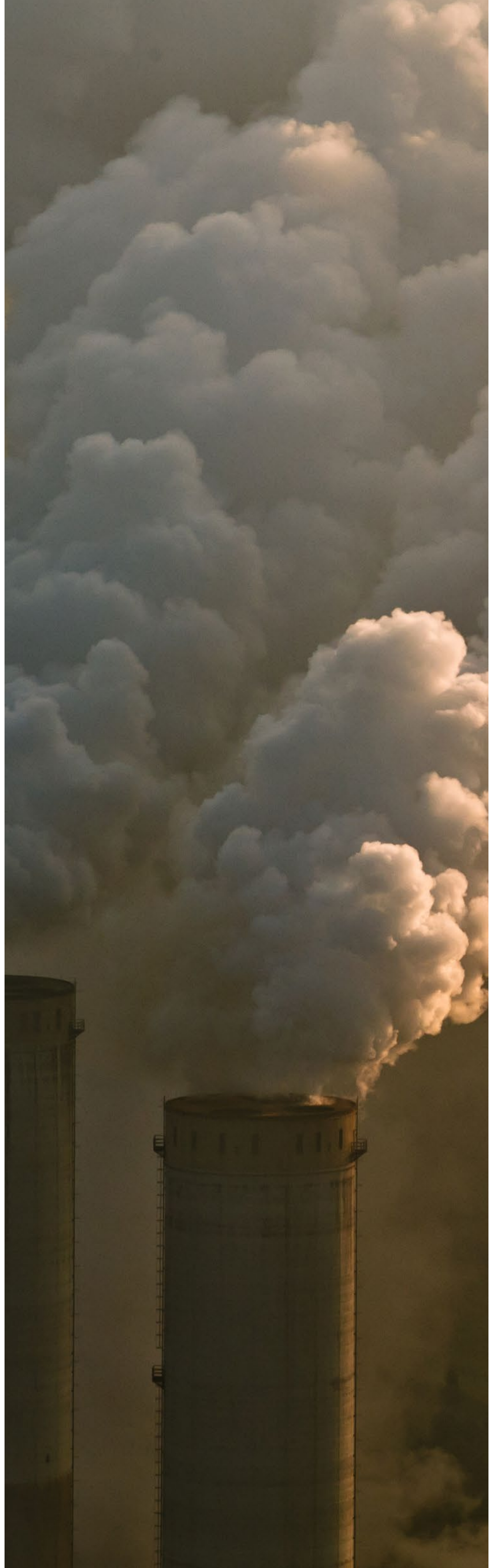
Banks must at a minimum exclude companies that derive over 2**0% of their revenues or power generation from coal-related activities**, and adopt absolute exclusion thresholds by excluding companies that produce **more than 10 million tonnes of coal per year or have more than 5 GW of coal capacity, and commit to lowering these thresholds over time.**

3. Fake phaseouts

US banks use the term "phase out" in their policies. This term is however misleading: while climate science requires a total exit from coal by 2030 in OECD and European countries and 2040 elsewhere, **US banks merely plan to reduce to zero their exposure only to some companies within the coal value chain.** For instance, Morgan Stanley only plans to phase out lending to companies that derive over 20% of their revenues from thermal coal mining, and Bank of America only plans to phase out financing to companies deriving over 25% of their revenues from thermal coal mining.

The fact that some banks have set out a date to reach these targets, for example 2024 for JPMorgan, 2025 for Bank of America, and 2030 for Morgan Stanley, does not solve the deeper problem: **they do not plan a full phase out from the coal sector as they do not cover the whole coal value chain and all coal companies, including those falling below their relative exclusion threshold.**

Banks must call on the remaining companies in their portfolio to **adopt a plan for closing all coal assets**, covering **the whole value chain** and setting an end goal of a **maximum 5% threshold of revenue from coal**, allowing for a global coal phase out by 2030 in OECD and European countries and 2040 elsewhere.



4. Lack of details

The wording of bank policies is often **too vague**, leaving room for interpretation and opening the door to arbitrary decisions by the banks, influenced by non-climate-related criteria such as the business relationship with a specific client. For instance, Goldman Sachs only plans to phase out the financing to thermal coal mining companies "that do not have a diversification strategy within a reasonable timeframe". Yet Goldman Sachs has failed to provide any definition of what constitutes a "diversification strategy", either in terms of criteria or in terms of sufficient quality, nor do they clarify what a "reasonable timeframe" is. Citi's policy states that the bank expects clients with coal power generation capacity to publicly report their GHG emissions and to develop a low-carbon transition strategy to diversify away from coal power generation, but fails to clearly define what they expect from a "transition strategy".

There is no time for vague policies that leave the door open for interpretation, too often resulting in weak and insufficient restrictions being applied.

Banks with vague policies must clarify them by **setting specific thresholds and targets that do not leave room for doubt** or self-interested interpretation by bank staff.

5. Exclusions that only apply to new clients

While at first glance Citi's policy appears to exclude coal plant developers, it only does so for new clients. This is a major loophole which means that **the bank can still finance its existing clients that plan to develop new coal projects**, such as Mitsubishi (planning to develop 697 MW of new coal power), Sumitomo (planning to develop 2390 MW of new coal power), KEPCO (planning to develop 1586 MW of new coal power)... The policy therefore leaves most of Citi's business activities untouched.

Banks need to apply their policy to **all companies in the coal sector, including their existing clients.**

5. PLEDGING TO NET ZERO HAS NOT BEEN A GAME CHANGER

Of the banks assessed in this briefing, all but US Bancorp are members of the Net Zero Banking Alliance, one of the sectoral alliances within the Glasgow Financial Alliance on Net Zero (GFANZ). **Meeting their pledge to reduce by 50% their financed emissions by 2050 and reach net-zero by 2050 under a 1.5°C trajectory requires immediate action against coal expansion.** GFANZ leadership issued a statement in August 2022 declaring "**We want to be unequivocal on this point: there is no rationale for financing new coal projects."[61] Yet there is no evidence that joining the NZBA has had any impact on the banks' coal financing activities.** Indeed, since joining the alliance, they have provided substantial financial resources to developers of new coal projects. For instance, right after the NZBA was created, **Citi**, a founding signatory, provided **two loans of US$503 million each to Japanese coal power giant Mitsubishi,** which is currently developing the controversial Vung Ang II 1200 MW coal plant in Vietnam.

	Joined GFANZ in...	Since then, they have financed developers of new coal projects. This includes significant transactions, such as...
Citi	April 2021 - founding signatory	• a loan of **US$1060 million in March 2022 to Sumitomo**, which is developing 2.4 GW of new coal power projects in Vietnam and Indonesia, and new infrastructure projects in Australia and Japan. • **two loans of US$530 million each to Mitsubishi in April 2021** - the same month it joined GFANZ - and **September 2021**, which is developing 697 MW of new coal power projects in Vietnam and Japan.
Bank of America	April 2021 - founding signatory	• the underwriting of **US$133 million** worth of bonds in **December 2021** for Chinese company **State Power Investment Corporation**, which is developing 10.2 GW of new coal power projects in China, Turkey, and Mongolia. Bank of America acted as Global Coordinator for the transaction which amounts to US$1.2 billion in total. JPMorgan was also part of the transaction as a joint bookrunner.
Goldman Sachs	October 2021	• the underwriting of **US$13 million** worth of bonds in **October and December 2021** for **Kansai Electric Power Co Inc**, which is developing 535 MW of new coal power projects in Indonesia.
JPMorgan Chase	October 2021	• a loan of **US$37 million in February 2022 to Marubeni Corp**, which is developing 977 MW of new coal power and coal infrastructure projects in Vietnam, Indonesia, Japan, and Australia. • the underwriting of **US$788 million** worth of shares in **November 2021 for Vedanta Resources**, which is developing a new coal mining project in India with a capacity of 6 million tonnes per annum.
Morgan Stanley	April 2021 - founding signatory	• the underwriting of **US$125 million** worth of bonds in **June 2021 for Sumitomo**, which is developing 2.4 GW of new coal power projects in Vietnam and Indonesia, and new infrastructure projects in Australia and Japan. • the underwriting of **US$100 million** worth of bonds in **July 2021 for Mitsubishi**, which is developing 697 MW of new coal power projects in Vietnam and Japan.

Why decarbonization targets are not enough

As members of the Net-Zero Banking Alliance, banks commit to setting and achieving sectoral decarbonization targets. While setting such targets are a useful tool, they must not be a substitute for the adoption of robust coal phase out policies. Such targets are highly insufficient to put a definite stop to the development of new coal projects. Indeed, **having set targets does nothing to prevent banks from financing developers of new coal projects**. Banks can achieve their overall emissions targets while continuing to finance developers of new fossil fuels projects, thus continuing to finance new assets which are already incompatible with the remaining carbon budget. While these assets will not necessarily appear on the banks' balance sheets in 2030, they will continue to emit beyond that date, further eroding the carbon budget or becoming stranded assets.

In any case, when decarbonization targets exist, they often contain major loopholes. For example:

- They often **only address lending**, thus failing to include underwriting, which is a substantial source of financing for coal companies. Between January 2019 and November 2021, commercial banks provided over US$1 trillion to coal companies in underwriting.
- Many targets are formulated in terms of **intensity rather than in absolute value**. Absolute targets are the best way to mitigate emissions as intensity targets leave the door open for banks' absolute financed emissions to plateau or even increase.
- Some targets **only cover exposure to high emitting sectors**. However, even if such targets reduce financed emissions, they don't require companies kept in portfolio to reduce their emissions individually and thus have no guaranteed impact on global emissions.

While setting decarbonization targets can be a useful tool, it is clearly not enough to stop banks from financing coal developers

CONCLUSION AND RECOMMENDATIONS

With less than 10 years to phase out coal in the OECD and in Europe and less than 20 years elsewhere, **we cannot afford to lose any more time developing new coal projects**. According to the 2021 Production Gap report,[62] global coal, oil, and gas production would have to decrease by around 11%, 4%, and 3%, respectively, each year between 2020 and 2030 in order to be consistent with a 1.5°C pathway. However, **current coal production plans blow up the objectives of the Paris Agreement**. If current trends continue, by 2030 there would be 240% more coal than what is consistent with the median 1.5°C pathway, which is equivalent to 5.3 billion tonnes of additional coal, and 120% more coal than is consistent with the median 2°C pathway. **The production gap is much wider for coal than for any other fossil fuel.**

The United Nations' has recently emphasized this need to immediately take measures to exit coal. Its **Race to Zero campaign expanded and strengthened its criteria** in June 2022,[63] and have given its members until June 2023 to comply. The new criteria require members to "restrict the development, financing, and facilitation of new fossil assets", stressing that "**this includes no new coal projects**". Nigel Topping and Mahmoud Mohieldin, High-level Climate Champions for COP26 and COP27, have urged all members — which includes all GFANZ members — to comply or risk being "removed from the Race!". GFANZ leadership welcomed the updated criteria in a statement highlighting that "In line with the UN Race to Zero criteria, members of the net-zero financial sector alliances must identify and end any financing and investing in support of new coal activities."[64] With less than a year to comply, **US banks urgently need to take measures to phase out finance for coal and other fossil fuels.**

- **End all support for coal projects,** including coal-fired power plants, mines, and other associated infrastructure. This also involves stopping support to any retrofit of existing coal plants that extends their lifetime, or to sales of coal assets to new owners who intend to continue operating them.
- **Exclude companies developing or planning to expand their activities in the thermal coal sector** (mining, electricity, infrastructure, and services). Companies that extend the lifespan of existing coal-fired power plants following their modernization or that sell services and equipment supporting the expansion of the sector should also be excluded.
- **Exclude companies that generate more than 20% of their revenues or electricity generation from coal and companies that produce more than 10 million tonnes of coal per year or have more than 5GW of coal capacity,** and commit to lowering these thresholds to zero by the appropriate deadline.
- **Commit to end all financial services and phase out exposure to the entire coal value chain in the OECD and European by 2030 and globally by 2040;** and require all companies remaining in the portfolio to **adopt by 2024 phase-out plans with facility-by-facility closure dates with just transition plans**, including the funding of worker and environmental obligations.[65]
- **Refrain from including exceptions that weaken policies.**

The major banks in the US have all declared their concerns over climate change and accepted their responsibility to play their part in addressing it. They have all joined the NZBA and in doing so accepted the importance of aligning with 1.5°C and halving their financed emissions by 2030. Continuing to finance the expansion of the coal industry is in complete contradiction with these expressions of concern and implies that their climate commitments are pure window dressing. **It is past time for these banks to step up and get out of coal.**

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COAL IT A DAY

Time for US banks to stop banking on coal expansion

Reclaim Finance is an NGO affiliated with Friends of the Earth France. It was founded in 2020 and is 100% dedicated to issues linking finance with social and climate justice. In the context of the climate emergency and biodiversity losses, one of Reclaim Finance's priorities is to accelerate the decarbonization of financial flows. Reclaim Finance exposes the climate impacts of some financial actors, denounces the most harmful practices and puts its expertise at the service of public authorities and financial stakeholders who desire to bend existing practices to ecological imperatives.

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